

Update From the RPS Subcommittee

Wednesday
November 3, 2010

Disclaimer

Please note that all the information contained in this presentation is in draft form and should not be taken as a final recommendation. All numbers are open for discussion.

RPS Subcommittee Tier Overview

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| •Develop recommendations on meeting the RPS solar goals for the near term |
| •Recommendations need to balance the multiple stakeholders <ul style="list-style-type: none">–Solar industry (which represents different market segments) and its customers–Utility industry and its customers |
| •Subcommittee voting members: <ul style="list-style-type: none">✓DSEC – Dale Davis✓DNREC – Bob Howatt✓SEU – John Byrne✓DEMEC – Pat McCullar✓DE Coop – Mark Nielson✓DPL – Glenn Moore |
| •All members have staunchly supported their stakeholders while aggressively trying to meet the overall goal |
| •Utilized the University of Delaware PV Planner to understand prices by tiers |

Duration of program approach and rule	One-two year with annual review and potential modifications required at anniversary
Number of Tiers	4
Tier Break points	Tier 1: $\leq 50\text{kW}$ Tier 2: $>50\text{kW}$ to $\leq 500\text{kW}$ Tier 3: $>500\text{kW}$ to $\leq 2\text{mW}$ Tier 4: $>2\text{mW}$

SREC by Tier (2011)

Sum of 2011 plus 2012 Delmarva's* SREC requirement
less Dover Sun Park = 17,319

Tier 1 & 2 gets 50% or 8,660

Tier 3 gets 50% or 8,660

Tier 4 gets 0

	Tier		Tier
	1	2	3
% of SRECs	50%		50%
# of SRECs	8,660		8,660
% of SREC Tier 1 & 2	30%	70%	50%
# of SREC Tier 1 & 2	2,598	6,062	

*DEMEC still to be determined

*At this time, DEC does not plan on participating in the 2011 auction

Tier 1 & 2

Attribute / Issue	Current Proposal
Banking of SRECs	<ul style="list-style-type: none"> •Will bank through the SEU
In State vs. Out of State	<ul style="list-style-type: none"> •Will accept both in and out of state SRECs •Solar customers get the benefits of the 10% rules
Existing vs. New SRECs	<ul style="list-style-type: none"> •In 2011, new only because of a desire to impact jobs •May use existing if the targets are not met with new
Tier 1 & 2 Procurement Strategy <i>–This is not a formal recommendation</i> <i>–Price dependent on grant amount</i> <i>–See appendix for grant impact on SREC price</i>	<ul style="list-style-type: none"> •Use PV Planner to set the price of Tier 1 & 2 SRECs •Contract length is two ten-year flat price blocks <ul style="list-style-type: none"> •Tier 1 <ul style="list-style-type: none"> ➢\$290 first ten years ➢\$50 second ten years •Tier 2 <ul style="list-style-type: none"> ➢\$270 First ten years ➢\$50 second ten years •Idea is to set a balanced price to add stability and lower administrative costs to solar market

Tier 1 & 2

Attribute / Issue	Current Proposal
Tier 1 and Tier 2 Production Guarantee	<ul style="list-style-type: none"> •Developer/Aggregator would sign contract and transfer all to SEU •No additional guarantee required
Procurement Process	<ul style="list-style-type: none"> •Sub-Committee will develop the process and make recommendations to the task force (need input/approval from utility boards and DPSC)
Grants	<ul style="list-style-type: none"> •The model assumes an \$8125 grant with a three year delay for Tier 1 •If a \$2500 grant were assumed the SREC price rises to \$340 •The model assumes zero grant for Tier 2 •Tier 2 customers accounting rules still make it viable •Sustainability of grants is crucial and while the subcommittee is not recommending a specific grant it believes sustainability of the grant is essential

Tier 1 & 2

Attribute / Issue	Current Proposal
1% Circuit Breaker	<ul style="list-style-type: none">•Any potential recommendation must take into consideration the 1% rule•There is a very low probability of hitting the 1% in the first year
Flexibility of Program	<ul style="list-style-type: none">•Need to evaluate the attributes during the first year and the second year:<ul style="list-style-type: none">✓Price✓Tiering✓Out of state✓Existing

Tier 3

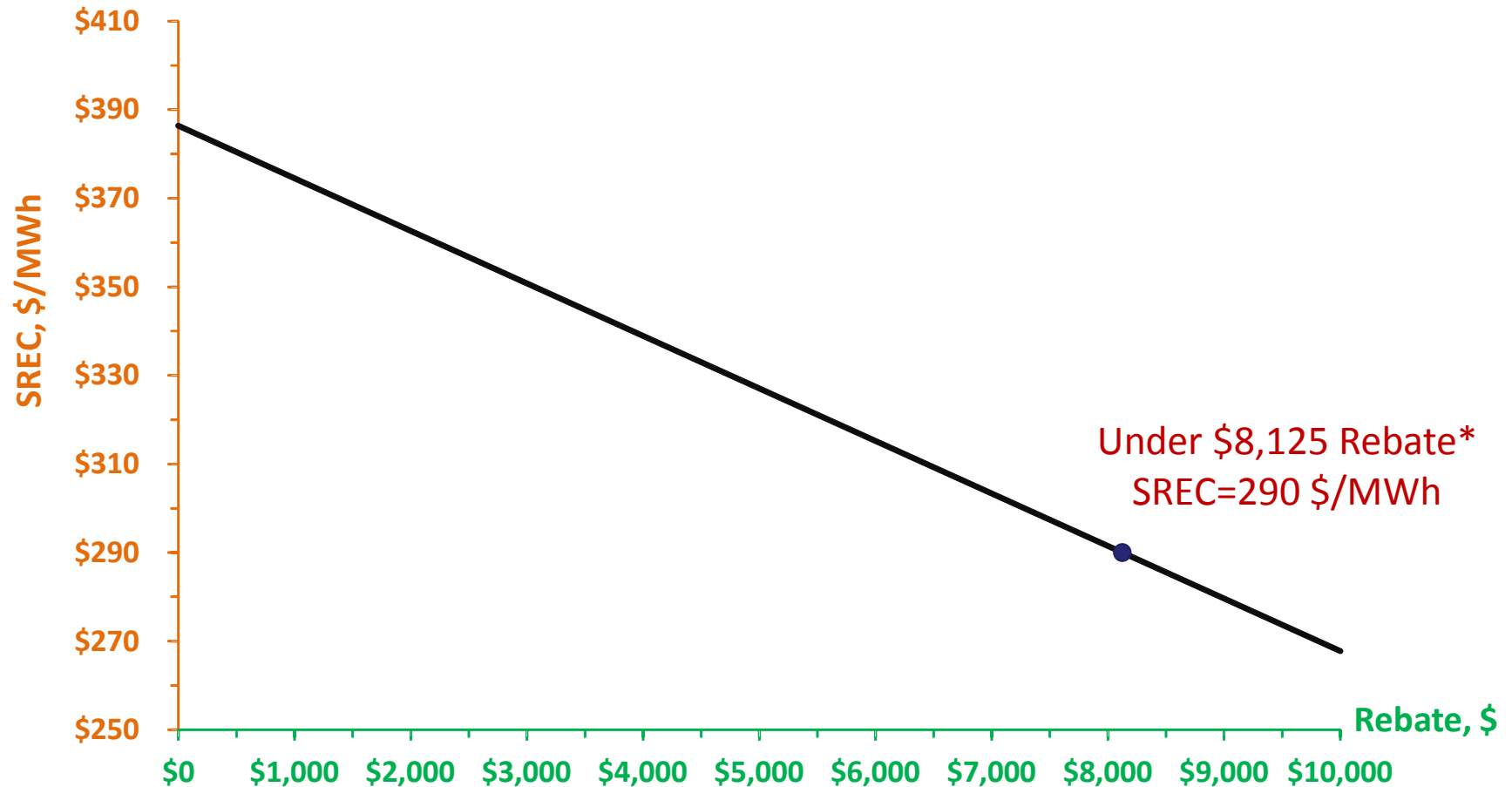
Attribute / Issue	Current Proposal
Tier 3 Procurement Strategy	<ul style="list-style-type: none">•Competitive RFP run twice per year•Achieve lowest cost SRECs
Tier 3 Production Guarantee	<ul style="list-style-type: none">•Must determine a reasonable production letter of credit
Administrator of Tier 1-3 Procurement	<ul style="list-style-type: none">•SEU

Objectives and Principles for Tier 3 & 4

- Create a two-tiered program for larger scale projects that ensures sustainability of the market by providing value to rate payers. (Residential and small commercial utilizing different procurement mechanisms).
- Facilitate strong sustainable growth for the Delaware solar industry while minimizing rate impacts to customers.
- Designed to address differing economics based on scale.
- Provide for a state wide policy incorporating the needs of all the stakeholders in the DE SREC market.
- Provide for clear and transparent processes.
- Provide for independent management of the procurement program
- Ensure process is unbiased and transparent.
- Provide an off taker that enters into contractual agreements structured and backed to allow projects to utilize these agreements to obtain financing.
- Provide a competitive price setting mechanism allowing these market to define the lowest competitive price and efficiently contract with those projects.
- Utilize standard processes, application requirements, selection criteria and SREC purchase agreements to lower transactional and administrative costs, this procurement program will.
- Simplify.

Rebate Impact on SREC Price

DRAFT



*Based on 7.5kW_p Residential Rooftop Application

Source: CEEP *PV Planner*® Software